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**AKAITCHO
YELLOWKNIFE
GOLD MINES LIMITED**

**ANNUAL REPORT
1978**

Head Office

P.O. Box 40
Commerce Court West
Toronto, Ontario
M5L 1B4

Mine Office

Yellowknife, N.W.T.

Officers

D. J. EMERY
President

J. M. MORTIMER
Vice-President

W. R. ROBERTSON
Secretary

N. H. WITHERELL
Treasurer

W. F. AVERY
Controller

Directors

* D. R. DERRY

D. J. EMERY

* L. C. KILBURN

G. P. MITCHELL

* J. M. MORTIMER

* Members of the Audit Committee

*Transfer Agents
and Registrars*

NATIONAL TRUST
COMPANY LIMITED
Toronto

Listed

TORONTO STOCK EXCHANGE

Auditors

THORNE RIDDELL & CO.
Toronto

*Annual Meeting
of Shareholders*

April 9, 1979
11:00 a.m.
(Toronto Time)
University Room
Hotel Toronto
Toronto, Ontario

AKAITCHO YELLOWKNIFE GOLD MINES LIMITED

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

The Supercrest Mine, in which your Corporation maintains a 49.99 per cent interest, is operated by Giant Yellowknife Mines Limited in conjunction with its own operations.

Pertinent production and financial information of Supercrest Mines Limited operations, is set forth below:

SUPERCREST MINES LIMITED

PRODUCTION SUMMARY

	<u>1978</u>	<u>1977</u>
Ore milled, tons	21,159	45,351
Calculated mill heads, oz. gold per ton	0.391	0.409
Recovery, per cent	88.75	87.73
Recovery — Gold, ounces	7,336	16,272
Silver, ounces	1,904	3,488
Average price per oz. of gold	\$ 247.87	\$ 166.77
Net revenue per ton	\$ 85.87	\$ 59.60
Operating cost per ton before write-offs	\$ 63.61	\$ 38.04

FINANCIAL SUMMARY

Income

	<u>1978</u>	<u>1977</u>
Net value of production	\$ 1,816,893	\$ 2,703,006
Operating costs	1,345,951	1,725,077
Interest earned	78,344	65,325
Income Taxes	197,000	370,000
Net Income	<u>\$ 352,286</u>	<u>\$ 673,254</u>

Condensed Balance Sheet

Current assets	\$ 1,152,960	\$ 1,417,015
Fixed assets	2	2
	<u>\$ 1,152,962</u>	<u>\$ 1,417,017</u>
Current liabilities	\$ 97,717	\$ 381,553
Common shares, 665,010 shares issued	665,010	665,010
Retained earnings	390,235	370,454
	<u>\$ 1,152,962</u>	<u>\$ 1,417,017</u>

Working Capital Position	1978	1977
Working capital derived from:		
Operations	\$ 352,286	\$ 673,254
Working capital applied to:		
Dividend on 665,010 common shares	332,505	332,505
Increase in working capital	19,781	340,749
Working capital at beginning of year	1,035,462	694,713
Working capital at end of year	<u>\$ 1,055,243</u>	<u>\$ 1,035,462</u>

OPERATIONS

Production of 21,200 tons, although down from the 45,400 tons obtained in 1977, was about 2,000 tons less than was scheduled for the year. The tonnage was obtained from 12 working places, eight of which were mined out during the year. Grade of 0.391 ounce gold per ton compared favourably with the 0.409 ounce gold per ton in 1977.

Operating costs rose steeply to \$63.61 per ton as compared with the \$38.04 per ton in 1977. The increase was largely due to a combination of fixed costs on the lower tonnage in 1978, higher stoping and development costs, a substantial surface drilling program and work on an extension of a drift from the adjacent Giant property to develop indicated reserves of 10-15,000 tons below present working levels. Operating profit of \$471,000 declined from \$978,000 in 1977.

Lateral development was 27 feet and raising 401 feet. The drift being extended from Giant on the 1,500-foot level was advanced 758 feet by year-end. Another 4,450 feet is required to reach the area of potential reserve.

The surface drilling program included 22 holes for a total of 9,853 feet, all of which was done about a mile north of present workings. Narrow ore grade intersections were obtained over a strike length of about 500 feet and down to a depth of about 500 feet. Further drilling will be required to confirm grades and to determine whether there is sufficient continuity for mining purposes.

ORE POSITION

About 7,500 tons were added to Supercrest reserves as a result of the improved gold price, but after mining 21,200 tons in 1978, the remaining reserve as of December 31, 1978 was 27,300 tons at 0.37 ounce gold per ton. This compares with the reserve of 41,000 tons at 0.41 ounce gold per ton as of December 31, 1977. The potential reserve of 10-15,000 tons below present working levels has not been included.

GENERAL

Operations were adversely affected by substantial increases in cost of power and oil during 1978. Shortages of skilled miners were again experienced; however a large part of the production shortfall was due to a planned shut-down of the Giant Yellowknife roaster for stack repairs and another week at half production because of a classifier break-down in the Giant mill. Additional contributing factors were mechanical problems with other equipment and power outages.

DIVIDENDS

A dividend of five cents per share was paid by your Corporation during the year.

On behalf of the Board,

Toronto, Ontario,
February 27, 1979.

D. J. EMERY
President

AKAITCHO YELLOWKNIFE GOLD MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET AS AT DECEMBER 31, 1978

ASSETS

	1978	1977
CURRENT ASSETS		
Cash	\$ 9,421	\$ 1,891
Short term securities, at cost which approximates market value	99,770	112,694
Accrued interest receivable	1,536	523
	<u>110,727</u>	<u>115,108</u>
INVESTMENT IN SUPERCREST MINES LIMITED (note 1)		
332,504 Common shares, at cost	2,499	2,499
Equity in undistributed earnings	527,250	517,359
	<u>529,749</u>	<u>519,858</u>
	<u>\$ 640,476</u>	<u>\$ 634,966</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	\$ 2,435	\$ 2,259

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized — 4,000,000 Shares of \$1 each		
Issued — 3,266,112 Shares	3,266,112	3,266,112
Deduct discount less premium on shares	<u>2,052,652</u>	<u>2,052,652</u>
	1,213,460	1,213,460
DEFICIT	575,419	580,753
	<u>638,041</u>	<u>632,707</u>
	<u>\$ 640,476</u>	<u>\$ 634,966</u>

Approved by the Board

D. J. EMERY, Director
J. M. MORTIMER, Director

AUDITORS' REPORT

To the Shareholders of
Akaitcho Yellowknife Gold Mines Limited

We have examined the balance sheet of Akaitcho Yellowknife Gold Mines Limited as at December 31, 1978 and the statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 25, 1979

Thorne Riddell & Co.
Chartered Accountants

AKAITCHO YELLOWKNIFE GOLD MINES LIMITED

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1978

	1978	1977
Revenue		
Interest earned	\$ 9,801	\$ 8,487
Administrative and corporate expenses		
Toronto office overhead expenses	3,577	3,616
Transfer agent's fees and expenses	4,948	6,211
Shareholders' reports and meetings	3,049	2,177
Directors' fees	2,700	2,800
Audit fees	1,000	1,050
Taxes and filing fees	1,119	1,117
Sundry expenses	912	924
	<u>17,305</u>	<u>17,895</u>
Loss before the undernoted item	7,504	9,408
Equity in net income of Supercrest Mines Limited (dividends received — 1978, \$166,253; 1977, \$166,253) (note 1)	176,144	336,627
NET INCOME	<u>\$ 168,640</u>	<u>\$ 327,219</u>
Earnings per share	5.2¢	10.0¢

STATEMENT OF DEFICIT

YEAR ENDED DECEMBER 31, 1978

	1978	1977
DEFICIT AT BEGINNING OF YEAR	\$ 580,753	\$ 744,666
Net income	168,640	327,219
	412,113	417,447
Deduct dividends paid — 5¢ per share (1977, 5¢ per share)	163,306	163,306
DEFICIT AT END OF YEAR	<u>\$ 575,419</u>	<u>\$ 580,753</u>

AKAITCHO YELLOWKNIFE GOLD MINES LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1978

	1978	1977
WORKING CAPITAL DERIVED FROM		
Operations		
Net income	\$ 168,640	\$ 327,219
Dividends received from Supercrest Mines Limited	166,253	166,253
Less equity in net income of Supercrest Mines Limited, which does not involve working capital	(176,144)	(336,627)
	158,749	156,845
WORKING CAPITAL APPLIED TO		
Dividends paid	163,306	163,306
DECREASE IN WORKING CAPITAL	4,557	6,461
WORKING CAPITAL AT BEGINNING OF YEAR	112,849	119,310
WORKING CAPITAL AT END OF YEAR	\$ 108,292	\$ 112,849

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1978

1. INVESTMENT IN SUPERCREST MINES LIMITED

The company owns 332,504 common shares of Supercrest Mines Limited out of a total of 665,010 common shares issued.

It is the company's practice to carry this investment on the equity basis. Accordingly, the company's share of the net income of Supercrest Mines Limited is included in net income for the year and the investment account is carried at cost plus the accumulated equity in earnings since the commencement of production in reasonable commercial quantities on October 1, 1967, less dividends received.

2. ANTI-INFLATION ACT

The company was subject to the Anti-Inflation Act, which provides as from October 14, 1975 for the restraint of dividends. The provisions covering dividends were phased out during 1978. Management is of the opinion that the company was in compliance with the requirements of the Anti-Inflation Legislation.

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of the Corporation has the honor to acknowledge the receipt of the report of the Management Committee for the year ending 1999. The report contains a detailed account of the activities of the Corporation during the year and the results of its operations. The Board is pleased to note the progress made by the Corporation in the various areas of its operations and the contribution it has made to the community. The Board also notes the financial performance of the Corporation and the soundness of its financial position. The Board is confident that the Corporation will continue to make significant contributions to the community in the future.

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